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The Case for the Railroads

The Significance of the Surrender of
Congress to the Brotherhoods as
Seen by a Railroad President



By HOWARD ELLIOTT

President, New York, New Haven & Hartford
Railroad Company and Chairman
of the Board of Directors



From the NEW YORK TIMES
MAGAZINE SECTION, SEPTEMBER 10, 1916

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The recent conference in Washington between the representatives of the railways of the United States and of the four most powerful labor organizations in the railway world should arouse the public to a realization of the difficult and dangerous conditions surrounding the safety and efficiency of the railways that must be kept adequate for their use.

Cost to the Railroads Stripped of phrases and the complications of figures, the issue finally resolved itself into one of obtaining more pay for the same work—an increase of at least \$60,000,000 a year for these four classes of men only. The issue was a clear-cut one for higher pay with no change in hours of service, and the men won, and some one must pay the \$60,000,000 each year.

Since the passage of the new law the leaders of the brotherhoods and others have indicated that it means that all the employes in the railways will ultimately receive a similar increase in pay. If this should prove to be true, the added burden upon the railways and the people will be nearer \$300,000,000 a year instead of \$60,000,000.

When the railway presidents assembled in Washington there were naturally varied opinions, but gradually and surely every man was forced to the conclusion that he would be unfaithful to his trust and failing in his duty as a citizen of the United States if he assented voluntarily to the demands of the brotherhoods.

What the Roads Proposed. The final proposal made by the railways for a peaceful settlement of the controversy, but which was rejected by the brotherhoods, was as follows:

- (a) The railroads will, effective Sept. 1, 1916, keep the time of all men represented in this movement, upon an eight-hour basis and by separate account, monthly, with each man, maintain a record of the difference between the money actually earned by him on the present basis and the amount that would have been earned upon an

eight-hour basis—overtime on each basis to be computed pro rata. The amounts so shown will be subject to the decision of the commission, provided for in paragraph (c) of this memorandum and payable in money, as may be directed by said commission in its findings and decision.

(b) The Interstate Commerce Commission, to supervise the keeping of these accounts and report the increased cost of the eight-hour basis, after such period of actual experience as their judgment approves, or the President may fix, not, however, less than three months.

(c) In view of the far-reaching consequences of the declaration made by the President, accepting the eight-hour day, not only upon the railroads and the classes of labor involved directly in this controversy, but to the public and upon all industry, it seems plain that, before the existing conditions are changed, the whole subject, in so far as it affects the railroads and their employes, should be investigated and determined by a commission, to be appointed by the President, of such standing as to compel attention and respect to its findings. The judgment of such a commission would be a helpful basis for adjustments with labor and such legislation as intelligent public opinion, so informed, might demand.

The Questions By rejecting this proposition and because
Now Before the of the attitude of the President and Congress,
Country. the brotherhoods have presented

forcibly to the country two questions:

(1) Shall organized labor without any restraint by law have the right to force its decisions upon the public regardless of the welfare of the public?

(2) Shall organized labor settle disputes in which it is interested by force or use the peaceful methods of courts and arbitration tribunals in use in all other disputes in this country?

If as a result of this controversy a wise solution of it can be obtained promptly some good will flow from the recent conference and its unfortunate result.

The railways are quasi-public corporations, and as such their owners have had to give up many of the rights that accrue to the owners of other forms of property, and to make and hold their investments with the knowledge and risk that the Government exercises very great power over the conduct of the business and the integrity of their investment.

The man who selects as a means of livelihood work in a quasi-public Government-regulated corporation must, if we are to progress steadily in the direction of more and better railway service, assume the risks and responsibilities of having rules and regulations made for him by the Government that may differ from those in other forms of work because the business must go on in the interest of the public.

Some orderly method must be found so that men may leave the railway service if they want to, so that the public will not suffer. How this shall be done is for the American people to consider and decide. If they do not, the country will be subject at any time to the situation of the last few months, ending in the abject surrender of the Government.

It is trite to say that capital cannot get along without labor and that labor cannot get along without capital—and yet capital and labor both, at times, forget this all-important fact. Both, also, pay too little attention to the fact that neither of them can get along at all without brains—brains to plan, brains to supervise, brains to direct, brains to be fair, and brains to see that the great public interest in these large industrial corporations must be constantly considered.

Capital Has	Capital has been mobilized in this country
Been	and, in the main, with great benefits to all.
Regulated.	It has been constructive, not destructive,
	because in no other way could it earn a
return.	It has made its mistakes because it has been

directed by human beings, who, at times, have failed to give due weight to the public good. As a result, public opinion was aroused, and this irresistible force decreed that organized capital or capital in a mass must subject itself to certain regulatory measures.

And Labor Must Be Regulated. A natural sequence to the organization of capital was the organization of labor; this, in order to present in forcible and concrete form its views of the industrial situation and also to record the natural desire of every healthy man to improve the conditions surrounding himself and his family. But just as organized capital was forced to be controlled and regulated in the interest of the public, so organized labor must be controlled and regulated. No one can object to organized labor unless its acts injure the general welfare of the public. It, too, must be constructive and not destructive. When it tries the strike in an effort to stop the wheels of progress, to be unfair in its demands, to be unwilling to have those demands considered calmly by unprejudiced people and to abide by the decision, then the mighty will of the people will be aroused and a means will be found to retain the good features of organized labor and eliminate the bad.

Railways for Arbitration—Precedents. The presidents of the railways stood firmly for arbitration of the far-reaching question involved in this dispute—in the interest of the employees, of the owners, and of the public, who in the last analysis must pay the bills for any increase in cost or suffer by having poorer service.

There are plenty of precedents for the arbitration of complicated questions.

The American and British Governments arbitrated the dispute arising out of the definition of the boundaries of the United States as specified in the Jay Treaty of 1783.

The American and British Governments settled by arbitration the dispute regarding the ownership of the several islands in the Bay of Passamaquoddy.

The dispute regarding the northwestern boundary of the United States was settled with the British Government by arbitration.

The American and British Governments arbitrated the dispute regarding the boundary from Lake Huron on to the northwestern point of the Lake of the Woods, as provided by the Treaty of Ghent.

Arbitration was resorted to by the American and Spanish Governments in the settlement of the dispute arising out of the seizure of the steamer *Masonic* at Manila.

The American and French Governments arbitrated claims of private citizens growing out of the American civil war.

The American and Danish Governments arbitrated differences growing out of the detention of the steamer *Benjamin Franklin* and the bark *Catherine Augusta* by the authorities of the Danish West India islands.

Mexico and the United States at the convention of April 11, 1839, arbitrated claims growing out of civil disturbances in Mexico. Further claims were arbitrated at the convention of July 4, 1868.

President Wilson has just appointed a commission to arbitrate matters in dispute between our Government and Mexico.

Nations, representing many millions of people, resort to arbitration to settle disputes of vital importance; and yet less than 400,000 men belonging to the railway brotherhoods refused to do so. The "man on the street" is sustaining the attitude of the railways for arbitration. He is beginning to realize that he and his family are interested and he wants to have his "say." The brotherhoods, however, declined to arbitrate the entire subject, claiming that in the great United States it was impossible to obtain a fair arbitration board.

"We Will Not Arbitrate" as Objectionable as "The Public be Damned." Their declarations "We will not arbitrate" and "No power on earth" could prevent a strike, and that the nation must submit to their mandate, will go down in history with the remark, "The public be damned."

Such an attitude on the part of the brotherhoods is contrary to the American people's ideas of fair play and an honest adjustment of differences. No utterances in recent times on the part of a labor organization have so startled and perhaps grieved the people—it has even led to resentful comment—as those declarations which demonstrated the attitude of the four big railway brotherhoods.

California Voters Beat an 8-hour Day 2 to 1. The President and the labor leaders say you cannot arbitrate a question like the eight-hour day and that "society has settled the question." As to the settlement

of the eight-hour principle, it is interesting to remember that California voted on the subject only two years ago. The vote in California was an actual test of American public opinion on the question. The California voters passed on the eight hours a day in an election held November 3, 1914. The result was 560,881 against, and 282,696 for the eight-hour day. Of the fifty-eight counties in California the eight-hour day failed to carry one. In San Francisco the adverse majority was smallest, being 70,909 against to 49,629 for. In Los Angeles the vote was 133,704 against to 74,583 for.

This is the only official expression of the popular will on record that I know of and the result was (as naturally to be expected), because most people in the world have to work more than eight hours a day—the farmer, the clerk, the storekeeper, the teacher, the minister, the doctor, thousands of good wives, mothers, daughters, and sisters in caring for their homes, the man of business, even the President of the United States. And every one of the railroad presidents who signed the declaration of principles to the President have all their lives worked more than eight hours a day. Nearly all of them rose

from the ranks—trainman, locomotive engineer, locomotive fireman, clerk, telegraph operator, level rodman—and they have a very deep and human sympathy with the men in the service. And we may without disrespect to the President take issue with him as to whether or not the United States is far enough along in its history and development to adopt definitely the eight-hour day.

Those who made the American nation what it is today worked long and hard. We hear that eight hours or less work a day is all that a strong, healthy man should do. Where would the United States now be if our forefathers had been content with eight hours' work a day? Where will the United States be in the race for future commercial supremacy among the nations if this spirit continues? We have ships to build, railways to develop, an army and navy to be manned, and countless tasks to perform. Every patriotic man should give the best that is in him, not the least, if we are to avoid serious difficulties at home and abroad.

Best Paid Men in the Railway Service. The American people are a just and generous people and they wish to reduce want and hardship to a minimum; but they do not like to be taken by the throat by any body of 400,000 men and made to do something before they understand its present and future effects.

Are the men so underpaid and so unjustly treated that this "stand and deliver" policy should have been assented to?

The average yearly wage payments to all eastern train employees (including those who worked only part of the year), as shown by the 1915 payrolls, were:

	Passenger.	Freight.	Yard
Engineers	\$1,796	\$1,546	\$1,384
Conductors	1,734	1,404	1,238
Firemen	1,033	903	844
Trainmen	1,018	858	990

Three-quarters of these men (including all those who put in a full year's service), earned these wages:

	Road.	Yard.
Engineers	\$1,585 to \$3,224	\$1,303 to \$2,178
Conductors	1,552 to 3,004	1,145 to 1,991
Firemen	933 to 1,762	752 to 1,633
Brakemen	862 to 1,707	834 to 1,635

For the whole country the average wages of three-quarters of the employees were:

	Passenger.	Freight.	Yard
Engineers	\$2,087	\$1,892	\$1,526
Conductors	1,850	1,719	1,510
Firemen	1,203	1,117	924
Brakemen	1,085	1,013	1,076

What Ministers Get. It has been rather difficult to get authoritative statistics as to the average annual salaries of ministers, editors and others in educational pursuits. With regard to clergymen there have from time to time been statements prepared by different religious denominations as to the average annual salaries of ministers of those denominations. The latest authoritative figures are contained in a bulletin issued by the Bureau of the Census entitled: "Religious Bodies—1906," with the following result:

Average salary of ministers in 2,000 churches in United States..	\$963
In cities of 300,000 or over.....	1,223
In cities of 100,000 to 300,000.....	1,110
In cities of 50,000 to 100,000.....	1,063
In cities of 25,000 to 50,000.....	972
In balance of United States.....	673

It is thus shown that the average salaries of both engineers and conductors exceed the average salaries of all ministers, also of the ministers who live in the largest cities. The average salaries of all classes of trainmen exceed the average salaries of all ministers and also of ministers who live in cities of from 25,000 to 50,000 inhabitants.

What those in the Civil Service Get. From the census it is also shown that the Civil Service of average annual compensation of employees the Government in the Executive Civil Service of the United States is \$948. The average salaries of all classes of trainmen exceed the average salaries of employees in the Executive Civil Service.

What School Teachers and Others Get. The report of the United States Bureau of Education shows that the median annual salary of elementary school teachers in cities of 5,000 or more is \$561. The average salaries of all classes of trainmen are from two to three times as large as the median salary of elementary school teachers.

From the United States Census I also find annual average salaries to be as follows:

Advertising and publishing.....	\$3,600
Insurance, brokers, and Government employees, including the army and navy	1,700
Real estate, manufacturing.....	2,100
Business men.....	1,950
Social and religious workers.....	1,800

What the Railways Need. It is difficult to estimate how much money will be necessary to bring the railways of the United States up to the point of efficiency demanded by the business of the country, but it is likely to be more than any of the estimates yet made. An interesting and instructive report upon this subject was made in 1912 by the Committee on Internal Trade and Improvements of the New York State Chamber of Commerce, of which Samuel W. Fairchild was chairman. Mr. Fairchild estimated that \$1,700,000,000 a year would be needed. In the seven-year period ended June 30, 1907, about \$4,500,000,000 was spent, or at the rate of about \$650,000,000 a year. Mr. Fairchild's estimate was more nearly correct, as the facilities are not now adequate.

In order to attract capital an undertaking must appeal to those who have capital to invest. Probably the most important factor in the investment of money in railway securities is the item known as net operating income, for out of this must come the return paid upon invested capital. The net operating income of the railways of the country for the year ended June 30, 1914, was \$849,122,647. This was \$8,550,000 more than was reported in 1907. In the meantime the \$4,500,000,000 of new money had been expended by the railways, and yet after that expenditure of \$4,500,000,000 on new facilities

the net operating income increased but \$8,550,000. This represents a return of less than two-tenths of 1 per cent. Road and equipment had been increased by 25 per cent. Net revenue had increased about 1 per cent.

Decline in Equipment. These billions were invested in the hope, so completely disappointed by the fact, that the additions to plant would earn a return. The result, naturally, has been to discourage additions and betterments. In the calendar year 1915 the freight cars built were the fewest since 1904 with the single exception of 1911; the passenger cars the smallest since 1902, except 1908; the locomotives the smallest since 1898; the construction of new miles of first track about 65 per cent. of the smallest since 1893. It is the persistency of this trend that has attracted attention. The railway problem is as complex and difficult, if not more so, than was the silver and currency problem.

Equipment showed a marked decline in 1915 and in that year less mileage was built than in any year since 1864. There have been only three years since 1848 when there was a smaller mileage of railway constructed than in 1915. Another fact of importance showing the actual condition of our railways has to do with the amount of railway mileage in the hands of receivers in 1915. With only one exception, in 1893, was the mileage that went into the hands of receivers larger than last year; and 1893 was a panic year. This is not a healthy condition; it is a malady that affects directly and indirectly every one in the country.

Decline in Railway Investment. The New York Times in an editorial, some months ago, called attention to the fact that the practice of insurance companies and banks is the highest evidence of investment value and in effect, if not in these exact words, the editorial continued:

"They put the money that they hold behind their opinions, and without this money there is scant picking in the money market for those who

need cash. For that reason exceptional interest attaches to the investment standards revealed in a recent statement of the banks of the United States. According to the report of the Controller of the Currency the investments of 27,000 banks in railway securities during last year increased 1.73 per cent. That is the smallest increase for any class of security, national bonds excepted. The favored investment was public utility bonds, which increased 13.70 per cent. The largest increase in total was in state, city, and municipal bonds, but their percentage of increase was only 10.31 per cent. Savings banks added \$55,000,000 of public utility bonds, and reduced their holdings of railway bonds by \$20,000,000."

Some are speaking of the present prosperity of the railways. It is true that they are enjoying large gains compared with a year ago in both gross and net earnings, but no one can tell what conditions will be when the dreadful European war ends. Costs of operation are increasing in all directions. The cost of materials used by railways has advanced from 100 to 700 per cent. Necessary improvements have been deferred; and in spite of the present prosperity the railways have serious problems ahead. The question of meeting the growing cost of operation is a serious one. When we speak of the present prosperity of the railways we should also recall the losses in the lean years. A good business concern always looks out in prosperous years for the poor years that are bound to come.

In a time of profound peace in this country the railways are congested and cannot carry satisfactorily the total load. What could they do in their present condition if the added burden of war were thrown upon them? Many industries would have to stop because the railways' first duty would be to handle the men and material incident to war.

Some persons have an idea that a railway corporation is a big enterprise that never fails to earn profits. It is forgotten that the fortunes of a railway ebb and flow

with the economic tides and that it is very difficult to make both ends meet.

Ask a man of fair intelligence, one who is not a stockholder, how the railways fared in the fiscal year 1915 in the matter of earnings applicable to dividends, and he probably cannot give a satisfactory answer. It would, perhaps, astonish him to learn that the actual sum paid out in dividends in 1915—\$325,900,869—was smaller than in any year since 1909, while the average rate on all stock, 3.80 per cent., was the smallest since 1905, and that the percentage of railway stock, to wit, 60.45 per cent., on which dividends were declared was the lowest since 1904.

Those who man the railways received 40.33 cents of every dollar of gross earnings in 1905 and 45.07 cents in 1914. The figures for 1915 are not yet obtainable. They perform arduous and responsible duties and should be well paid; but with increases in pay to the men and improved facilities to the public should come increased pay to the railways, and this has not been the case until the last year, when some increases in rates were permitted.

Rights of the Public, Other Employees and Security Holders. The public have rights, the employees have rights, so have the security holders. There are probably 1,500,000 holders of stocks and bonds of American railways. But there are more than these 1,500,000 security holders directly interested in the railways of the country. It is fair to assume that dependent upon each of these 1,500,000 owners are four other persons, and in that case this would mean 6,000,000 people.

Millions Interested in the Railways. There are 1,800,000 men, approximately, employed in the railway service, and if you allow five persons to be depending upon each, that would mean 9,000,000. There are at least 1,000,000 workers in industrial plants directly dependent upon railway operation—such as coal mines, rail mills, car shops and so on. They represent another 5,000,000 people.

Thus you have about 20,000,000 people out of a total population of 100,000,000 who depend very largely for their daily bread and butter upon having this great piece of transportation machinery prosperous. But there are a great many others who are interested. The insurance companies have \$1,500,000,000 invested in railway securities, representing 30,000,000 policy holders; the savings banks of the country have 11,000,000 depositors. These 41,000,000 people are vitally interested, either as holders of insurance policies or depositors in savings banks, in the success of this great piece of railway machinery. And more important than all are the 100,000,000 people needing the service of the railways. The railway presidents felt that they owed a duty to all of these in taking their position at Washington.

The Heavy Burden Put upon the Railways.

The President and Congress have placed a heavy burden upon the railways and the people of the country in their surrender to the demands of the brotherhoods before the effect of those demands upon the organization and efficiency of the railways could be accurately determined. The owners and managers, as loyal citizens of the country, will do their best to carry that burden and furnish to the people the needed service if, after ample thought, it is proved that the new law is right. If, however, the hasty action just taken results in industrial disturbance, poorer service, undeveloped railways, higher rates, demoralized business, and higher cost of living, the owners, the employees, and the public will all suffer. It is most earnestly to be hoped that the people will insist that Congress take up promptly the whole subject and adjust it fairly to all, and show the moral courage and force to correct the mistake that has been made.

If the American railways are to be kept in condition to (1) furnish more transportation per mile of road than in any other country, (2) charge for that service lower rates than are in effect in any other country, (3) pay higher wages than are paid by any other country, (4) increase the capacity of the roads to meet the needs of

a population that before many years will be 150,000,000, the people must bestir themselves and not permit great questions like these to be settled by Congress on ninety-six hours' notice.

The action taken in Washington does not seem to breathe a spirit of justice to the railway owners and others vitally interested in the integrity of the investments and to other wage earners in the railway service, or to the public dependent upon their work.

I have from the time this question began to be discussed seriously felt that it ought not to be settled without giving the public, the real party in interest, time to understand it, and an opportunity to express its opinion before the Congress, or an impartial tribunal created by the President or by Congress.

**END OF
TITLE**